By end of 1897, as a result of the panic conditions of the preceding four years, Mr. Morgan together with his associates had succeeded in gaining a position of pre-eminence among the important railroad groups of the country. He either had control, or was in a fair way to gain control, of four important coal roads —the Reading, the Erie, the Lehigh, the Hocking Valley. He held chief place in the Southern Railway and in the Northern Pacific system; and he had come into amicable contact with James J. Hill, of the Great Northern.[45] A record such as this affords an excellent illustration of the ease with which powerful groups of financiers (or individuals with powerful financial backing) can enlarge their spheres of influence in times of crisis. Then it is that opportunities for investment abound, and large capitalists coming to the aid of the financially embarrassed may freely dictate their own terms, in many cases demanding a controlling interest in the companies requiring assistance.

While the Morgan group was striding so rapidly into prominence, Standard Oil had been strengthening its hold on properties already acquired. It had also entered into important contracts with the Oliver Iron Mining Co.,[46] which was engaged in extensive operations on the Mesaba; and it had materially extended its gas interests, notably in the Brooklyn Union Gas Co.[47] incorporated in 1895 for the purpose of taking over control of the various gas companies of that city. The same period (1893–97) saw the rise of another important group of financiers

[45] His railroad holdings have continued to enlarge since that time. The Southern Railway has made large additions to its mileage by the annexation of other roads. In 1902 Morgan came into control of the Louisville & Nashville, acquiring his interests from John W. Gates. This road he afterward turned over to the Atlantic Coast Line, a system in which he is also dominant. Cf. *Bradstreet's*, October 4, 1902, Vol. XXX, p. 627.

[46] At that time five-sixths of the stock of the Oliver Iron Mining Co. was owned by the Carnegie Steel Co. Cf. James H. Bridge, *History of the Carnegie Steel Co.*, chap. xvii, pp. 258–60.

[47] *Commercial and Financial Chronicle*, June 15, 1895, Vol. LX, p. 1057; *ibid.*, September 14, 1895, Vol. LXI, p. 473.

—the Harriman-Kuhn-Loeb syndicate, which was soon to become generally recognized as a part of the larger Standard Oil group.[48] The syndicate first attracted public attention as a result of its successful reorganization of the Union Pacific. As early as 1895 it had been formed to carry out some plan looking toward a rehabilitation of the financial standing of the road, but nothing was accomplished until the property was sold under foreclosure in 1897. It was then bought in by a reorganization committee which was in agreement with the syndicate headed by Kuhn, Loeb and Co.[49]

After the reorganization had been carried through by the latter, E. H. Harriman appeared as chairman of the executive committee, of which James Stillman was also a member. Representatives of the Gould interests, which had gained control of the Union Pacific in 1890,[50] still held place, on the board of directors, but they were evidently no longer of first importance. It was significant, however, that there should be found identified with a single property adherents of three different groups. Clearly indications were not lacking of the manner in which there was gradually to be brought about an advance toward an increasingly comprehensive form of combination for purposes of investment.

Along with the growth of the railroad interests a new movement began to develop about the beginning of 1898; for with the return of prosperity after a period of prolonged financial dis-

[48] Of the early history of this group I am ignorant. I have seen a statement to the effect that its nucleus was the Illinois Central Railroad, of which Harriman had been a director since 1883. Cf. *Commercial and Financial Chronicle*, November 30, 1901, Vol. LXXIII, p. 1138; cf. also *Poor's Manual of Railroads*, 1883. As to whether Harriman and the banking house of Kuhn-Loeb & Co. had any connection with Standard Oil prior to the reorganization of the Union Pacific, I cannot say. Subsequent to the completion of that reorganization in 1897 there is no doubt that Harriman became the recognized representative of Standard Oil railroad interests.

[49] On agreement with the reorganization committee this syndicate provided $44,000,000 in cash, receiving in return for each $1,000 advanced, $1,000 par value 4 per cent. first-mortgage bonds and $500 par value preferred shares of the company.

[50] *Commercial and Financial Chronicle*, November 29, 1890, Vol. LI, p. 748; directors' lists in *Poor's Manuals of Railroads*.

tress there was a marked launching-out of the various groups of investors into the field of the "industrials." Some years before, adverse court decisions had led to the abrogation of all trust agreements which had for the most part been succeeded by holding companies made possible by the New Jersey law of 1889.[51] A few new companies had also been formed, such as the Diamond Match Co. and the New York Biscuit Co. (both Moore organizations); but as yet the holding company was not an important factor in the industrial field.

But with the inauguration of the era of the so-called "industrials" came notable combinations in the iron and steel trades. J. P. Morgan & Co. and their allies, having acquired an assured position in the railroad world, now made their entry into the field of the industrials as organizers of Federal Steel (September, 1898).[52] It was said that the profits of the firm derived from its services in organizing was about $200,000;[53] but, apart from that consideration, the Morgan representation on the directorate of Federal Steel would indicate that a very substantial interest in the company had been acquired, although Standard Oil men were no doubt the dominant factor.[54] Here, then, was another

[51] The Standard Oil organization existed without taking advantage of the New Jersey law until 1899, a community of interests being maintained through the manner of distribution of the stocks of the various companies composing the "trust."

[52] The stocks of the companies it was proposed to combine having been secured (or, at any rate, a sufficient proportion of them) were then turned over to the new corporation together with $14,075,000 in cash (such part as was not furnished by stock assessments being guaranteed by Morgan). In return $53,000,000 preferred and $46,000,000 common stock of the Federal Steel Co. was received by the organizers to be used in paying for the underlying properties.

[53] *Report of the Industrial Commission,* Vol. I, pp. 986 ff. (testimony of Judge Gary).

[54] In substantiation of this statement it may be mentioned that Standard Oil men had been connected with the Minnesota Iron Co. (an important underlying property of Federal Steel) since 1887. Moreover, H. H. Rogers was a member of the executive committee of Federal Steel, and Roswell P. Flower (who had come to be closely identified with Standard Oil financiers through his copper interests) was a large holder of the company's stock. After his death, in May, 1899, it is probable that the Standard's hold on the property was materially strengthened. Cf. *Bradstreet's,* May 20, 1899, Vol. XXVII, p. 306; September 30, 1899, Vol. XXVII, p. 612.

case in which the adherents of different financial groups had come into contact through widening spheres of interest.

The year following the formation of the Federal Steel Co. Morgan succeeded in uniting the leading tube-works of the country into a single organization—the National Tube Co.;[55] and in April, 1900, he assumed charge of the underwriting for another large steel "trust"—the American Bridge Co.[56] During this same prolific period W. H. and J. H. Moore sprang into prominence as organizers of the American Tin Plate, National Steel (February, 1899), American Steel Hoop (April, 1899), and American Sheet Steel (March, 1900) companies[57]—all four of which came to be controlled by the small coterie of men for whom the Moores had been acting.[58] The only other important steel combination prior to the formation of the United States Steel Corporation was the American Steel and Wire Co. (1899), at whose head stood John W. Gates.

As the panic of 1893 made for the growth and furthered the

[55] Standard Oil men were certainly associated with this enterprise, if the presence of Daniel O'Day (connected with the Standard Oil pipe-line system) and Jacob Vandergrift (one-time president of the United Pipe Lines Co.) on the directorate of the company can be considered in the least significant.

[56] Both in the case of the National Tube Co. and in that of the American Bridge Co., Morgan was given power to direct their policy absolutely for a stated number of months: nine months in the case of the former, and eighteen months in the case of the latter.

[57] Judge Moore explained the manner in which these organizations were effected, as follows: "I will not charge you anything," he reported himself as having said to the owners of the companies it was proposed to unite. "I will buy your properties and formulate a plan, and if you do not want to go into the new plan, you can take cash." (Cf. Testimony of W. H. Moore, *Report of the Industrial Commission*, Vol. I, p. 963.)

[58] The nucleus of the Moore group consisted of certain iron and steel manufacturers interested at one time in the various companies that went to make up the four new combinations. The group later extended its investments, branching out into the domain of railroads. It bought control of the Chicago, Rock Island & Pacific (1901), reorganized it as the Rock Island Co., and took over other properties, purchasing the St. Louis & San Francisco (May, 1903), and entering into an alliance with the Seaboard Airline the next October. The financiers composing the group are, however, relatively weak, and the chances are that they are scarcely in a position to be considered an independent power at the present time. In all probability their railroad management has come under the tutelage of Standard Oil.

amalgamation of certain large investment interests, so the industrial depression which set in toward the close of 1899 and continued through 1900 was to produce readjustments and to carry the process of absorption and combination still further. Conditions within the iron and steel trades were peculiarly severe, and, with so many important groups of investors represented therein, a competitive struggle on a more comprehensive scale than ever before experienced, might be fairly deduced. As a matter of fact, the formation of the United States Steel Co. in 1901 seems to have been the outgrowth of some such struggle.

The evidence points strongly in the direction of a shrewdly planned attack by the joint Carnegie-Rockefeller forces against the other groups interested. In order to understand the situation, it is necessary to enter somewhat minutely into the relations formerly existing between the Carnegie and the Rockefeller interests in the Minnesota iron regions. The Oliver Iron Mining Co. (a Carnegie property), which was one of the largest shippers of ore on the Mesaba range, had in 1896 made a fifty-year contract with the Lake Superior Consolidated Iron Mines Co., whereby, upon payment of a certain royalty, it obtained possession of two rich mines on the Mesaba, guaranteeing in return a minimum annual output of 600,000 tons of ore, to be shipped over the Rockefeller road (the Duluth, Mesaba & Northern) and carried in vessels belonging to the Rockefeller fleet.[59] These shipments, together with the output from the Oliver mines, insured an annual tonnage of from 1,200,000 to 1,500,000 tons.[60]

Although the Lake Superior Consolidated Iron Mines Co. continued to increase the carrying capacity of its lake fleets for some years subsequent to this contract, it was by no means secure in its hold upon the transportation of the Carnegie ore. By 1899 the Oliver Iron Mining Co. had by the acquirement of new holdings attained to an average annual output of perhaps 4,000,000 or 4,500,000 tons of ore,[61] and obviously it would be

[59] *Iron Age,* December 31, 1896, Vol. LVIII, pp. 1309, 1310; James H. Bridges, *The Inside History of the Carnegie Steel Co.,* chap. xvii, p. 259.

[60] *Iron Trade Review,* March 11, 1897, Vol. XXX.

[61] *Ibid.,* April 27, 1899, Vol. XXXII.

advantageous to carry such part of its own output as had not been disposed of by contract. Accordingly the properties of the Lake Superior Iron Co. were bought, and with them its fleet of six vessels, which were turned over to the newly formed Pittsburg Steamship Co. (1899) [62]—by 1900 the third largest fleet on the lake.[63]

It now began to be rumored that not so long before this time Mr. Rockefeller had offered to sell his large ore properties as well as his steamship and railway holdings to Mr. Carnegie for $50,000,000, and that it was the refusal of this offer which led to the adoption of coercive measures, taking shape in an attempt to corner the lake shipping in 1900.[64] However that may be, the Bessemer Steamship Co. (the fleet of the Lake Superior Consolidated Iron Mines Co.) purchased in the fall of 1899 the thirty vessels of the American Steel Barge Co.; and these, together with the twenty-four or more already owned, gave it a dominant position in the lake-ore shipping.[65] The ore of the Oliver Iron Mining Co. shipped under the contract of 1896 was taken at a rate which was an average of the wild and contract rates of each season. In an endeavor to keep up the wild rates so as to force this ore to pay a lake tonnage of $1.25, all but twenty of the vessels owned by the Bessemer Steamship Co. were laid up.[66] As a result of this action the Carnegie Co. made public its intention of building its own railroad from the Minnesota mines to the lake. Furthermore, it was announced (July, 1900) that the Carnegie Co. proposed the erection of "what would probably be the largest rod-mill ever built.[67] The bearing of this proposal upon the situation becomes apparent if it be remembered that the plan to build a rod-mill would, if carried out, put a serious competitor in the field against the Federal Steel Co.—a property in which Standard Oil interests were prominent. As matters stood, both sides bid fair to prove losers in the pending struggle, and

[62] *Ibid.*, November 16, 1899, Vol. XXXII.

[63] *Iron Age*, May 10, 1900, p. 5, Vol. LXV.

[64] *Ibid.*, October 19, 1899, p. 30 *d.*, Vol. LXIV. [65] *Ibid.*

[66] *Ibid.*, June 14, 1900, p. 26 f., Vol. LXV.

[67] *Commercial and Financial Chronicle*, July 28, 1900, Vol. LXXI, p. 184.

there was little reason for surprise when it was announced in August that harmony had been once more decreed and new and satisfactory traffic agreements entered into.[68] The amicable working arrangements thus effected between the two interests continued from this time on until both were absorbed into the United States Steel Co. Whether the formation of the latter was hastened because of this union is a question open for debate. But certainly, apart from any active personal support which Mr. Carnegie may have received in his efforts to dispose of his holdings,[69] the increased control over the ore situation obtained by his alliance with the Rockefeller interests added to the strategic value of his position.

The campaign of aggression, initiated in 1900 with an attack upon the Federal Steel and the American Steel Hoop companies,[70] was continued without abatement from this time forth. The situation was peculiarly favorable, indeed, to the success of Mr. Carnegie's plans. In the earlier part of the year the iron and steel trades had suffered a relapse from a condition of overstimulated prosperity, and it needed only the closing of the mills of the American Steel and Wire Co., on "account of an excessive accumulation of supplies,"[71] to start a decline in the prices of steel stocks. By the end of June, 1900, quotations had been cut down more than half in the case of the common stocks, and preferred holdings had lost from 13 to 20 points. In November, when speculative securities were just beginning to be salable once more,[72] the Carnegie Co. made further announcement of its intention to manufacture sheet steel, steel wire and nails, and steel pipes—an intention which, if carried out, was likely to produce a general demoralization in steel stocks. The Morgan interests were endangered as well as the Moore and Gates properties, and consternation was widespread. When, therefore, the Carne-

[68] *Iron Age,* August 9, 1900, p. 4, Vol. LXVI.

[69] He was admittedly anxious to "sell out."

[70] The American Steel Hoop Co. was hit by the suggestion that the Carnegie Co. "might go into the manufacture of hoops and bands." Cf. *Commercial and Financial Chronicle,* July 28, 1900, Vol. LXXI, 1840.

[71] *Commercial and Financial Chronicle,* April 28, 1900, Vol. LXX, p. 843.

[72] Cf. Meade, *Trust Finance,* chap. xi, pp. 213 ff.

gie Co., early in January, 1901, announced the immediate construction of large tube-works at Conneant,[73] Mr. Morgan, as the representative of the National Tube Co. as well as of other organizations that had been threatened, was compelled to enter into negotiations looking toward the purchase of the Carnegie holdings.[74] By the end of February a consolidation of the leading steel companies of the country was announced, with J. P. Morgan & Co. as organizers. It is no surprise to learn that the property of the Carnegie Co. was taken over at an exceedingly liberal valuation, Mr. Carnegie alone receiving approximately $217,720,000 in 5 per cent. first-mortgage gold bonds for his individual holdings.[75] As for the rest of the companies incorporated, the Lake Superior Consolidated Iron Mines obtained the most favorable terms,[76] although the majority secured bonuses both in preferred and in common stock.

Notwithstanding the resultant condition of inflation, it was thought that the Morgan syndicate had reaped an immense profit as the result of its operations.[77] But this belief was considerably shaken by the proposed bond-conversion scheme of the following year,[78] and subsequent events served to strengthen a gradually

[73] *Iron Trade Review,* January 10, 1901, Vol. XXXIV.

[74] *Iron Age,* February 7, 1901, p. 33, Vol. LXVII.

[75] Cf. J. H. Bridges, *The Inside History of the Carnegie Steel Co.,* chap. xxiii, pp. 363, 364; also Moody, *The Truth about the Trusts,* p. 154.

[76] Moody's *Manual of Corporation Securities,* 1904, p. 1616.

[77] Some estimates put its gain as high as $56,500,000 (*Iron Age,* February 6, 1902; cf. also *Commercial and Financial Chronicle,* May, 2, 1903, Vol. LXXVI, p. 977).

[78] The plan (ratified May, 1902) contemplated the exchange at par of $200,-000,000 of 7 per cent. cumulative preferred stock of the corporation for 5 per cent. second-mortgage gold bonds. As a result of litigation it did not go into effect until March, 1903. From May 16 to November 19 the syndicate enjoyed the sole right of conversion. It is estimated that it exchanged $104,800,000 of stock during a period in which, although bond quotations were falling, prices of preferred stock were falling relatively even lower. The conversion plan may have been merely a clever profit-making device, or it may have been a desperate remedy adopted by men laden with securities of which they were unable to dispose. At any rate, opposition to it led to a dissolution of the syndicate earlier than had been expected (November, 1903). For an account of bond conversion

growing conviction that Morgan had not acted altogether as a voluntary agent. Perhaps he had been "held up," so to speak, and forced to take over properties at a valuation that later made it difficult to dispose of the securities of the new company to advantage. Opinions upon this point may vary, however, but that the organization of the United States Steel Co. was undertaken primarily for the purpose of securing harmony among the several groups interested in the underlying companies is a conclusion fairly deducible from a consideration of the incidents leading up to the consolidation. All the constituent companies represented large combinations of capital and were more or less industrially complete units in themselves. Viewed wholly from the industrial standpoint, therefore, the question might well have arisen as to whether a further unification might not prove so unwieldly as to offset any resultant economies. But, to put all such considerations aside, the main purpose of the union was accomplished in that it prevented a war of the large financial interests, bringing together as it did, the Morgan, Moore, Rockefeller, Carnegie, and Gates holdings. Undoubtedly it marked an important step forward in the general movement toward a fusion of investment interests and a concentration of financial control. But the most advanced type of union had not yet been reached—i. e., a union of groups of financiers designed to bring about coordinate action in every field in which such groups operated. The organization in question represented, to be sure, a combination of groups of investors for purposes of control; but it was a combination operative only within one industrial field.

It is not possible even to indicate all the other lines of corporate investment which these same financiers were entering during the period from 1897 and 1898 onward. Some of the new holdings which were being acquired by the Standard Oil group may be mentioned briefly, however. As early as 1898 their interest in the Western Union Telegraph Co. began to

and litigation cf. Meade, "The United States Steel Corporation Bond Conversion," *Quarterly Journal Economics*, Vol. XVIII, p. 22; also *Commercial and Financial Chronicle*, November 21, 1903; Moody's *Manual of Corporation Securities*, 1904, pp. 1613, 1634; Ripley, "The Later History of the Steel Corporation Bond Conversion," *Quarterly Journal of Economics*, Vol. XIX, p. 316 (February, 1905).

develop,[79] thus bringing them into contact with another important group of financiers, the Goulds. In 1898 Standard Oil men launched the Amalgamated Copper Co., in which Morgan interests were likewise represented.[80] The death of Roswell P. Flower (May, 1899), who was prominently identified with the copper trust, brought other property into the hands of Standard Oil men, since they bought largely of his stock-holdings, notably securities of the Brooklyn Rapid Transit Co., of which it is said, they subsequently gained control.[81] The American Smelting and Refining Co. (1899) was organized under Standard Oil influence,[82] and some years later (1903) entrance was secured into the Colorado Fuel and Iron Co., with which latter venture the Gould group was again associated.[83] In the same year there was rumor of an alliance between the Standard Oil and the Widener-Ryan parties with a view to the purchase of the Metropolitan Securities Co. All idea of such purchase was vigorously denied at the time, but as Ryan subsequently took possession of the property, the denial lost somewhat of its force.[84]

While Standard Oil was thus engaged in acquiring holdings in the corporations mentioned, as well as in others that might be named, the group was at the same time extending its great railway system by purchase and by alliance. In 1899 a syndicate composed of Gould, Schiff, Harriman, and Stillman, had purchased a controlling interest in the Chicago & Alton.[85] In 1900

[79] Roswell G. Rolston (president of the Farmers' Loan and Trust Co., affiliated with Standard Oil, and likewise a National City man) became a director of the Western Union Telegraph Co. in 1897; James Stillman entered the board in 1898 or 1899; while Henry M. Flagler and Charles Lockhart (both "original" Standard Oil men) and E. H. Harriman went in in 1900.

[80] Fred P. Olcott and Robert E. Bacon were among the directors.

[81] *Bradstreet's,* May 20, 1899, Vol. XXVII, p. 306; September 30, 1899, Vol. XXVII, p. 612.

[82] *Commercial and Financial Chronicle,* April 15, 1899, Vol. LXVIII, p. 668.

[83] Concerning the Colorado Fuel and Iron Co., cf. *Bradstreet's,* November and December, 1902; June and December, 1903.

[84] *Commercial and Financial Chronicle,* September 5, 1903, Vol. LXXVII, p. 511.

[85] John D. Rockefeller's name was first mentioned in place of Stillman's as a member of the syndicate (cf. *Commercial and Financial Chronicle,* February 11, 1899, and *Bradstreet's,* February 25, 1899). An investigation of the Inter-

Harriman, Stillman, and Gould combined to buy out the Kansas City Southern [86]—a road which had been a disturbing factor in the western rate situation.

The facts just mentioned are important in that they bear witness to a growing community of interests between the Standard Oil and the Gould adherents. But the events of the next few months were to be of even greater significance. In 1901 the Harriman-Kuhn-Loeb syndicate, on behalf of the Union Pacific (which was dominated by Standard Oil), acquired control of the Huntington-Speyer interests in the Southern Pacific for $40,000,000 or $50,000,000 [87]—a purchase which added greatly to the power of the group in the western railroad world. The same year was marked by the entrance of Standard Oil into the Northern Pacific under the leadership of Harriman.[88] The raid which resulted in their gaining control of the stock [89] and securing, as they thought, a "say-so" as to the disposal of the Chicago, Burlington & Quincy (the joint purchase of the Great Northern and Northern Pacific) was a short-lived victory. Morgan and his allies still held a majority of the common stock, which carried with it a provision to retire the preferred holdings at any time at par. This they threatened to do, and the result was a compomise—the formation of the Northern Securities Co.

state Commerce Commission (New York City, January 6, 1907) brought out the fact that the Chicago & Alton is now under the joint control of the Chicago, Rock Island & Pacific Railway and the Union Pacific (one road having charge of it one year; the other, the next). The present arrangement grew out of a contract between Harriman and Leeds (of the Moore group) entered into in 1904 for a period of fourteen years.

[86] *Bradstreet's,* November 3, 1900, Vol. XXVIII, p. 692.

[87] *Ibid.,* February 9, 1901, Vol. XXIX, p. 84.

[88] It is probable that Standard Oil men had an interest in the Northern Pacific prior to this time. They were creditors of the road when it went into bankruptcy in 1893; F. T. Gates (a representative of John D. Rockefeller) and James Stillman were members of a committee to arrange for a collateral trust agreement to extinguish the floating debt (cf. *Commercial and Financial Chronicle,* May 20, 1893). Subsequent to the reorganization, John D. Rockefeller and James Stillmen were mentioned as members of the new board (*ibid.,* October 17, 1896). Rockefeller's name did not appear thereafter, however, but Stillman continued as director, and in 1897 Oliver H. Payne also became a member of the board.

[89] *Commercial and Financial Chronicle,* May 11, 1901, Vol. LXXII, p. 936; October 12, 1901, Vol. LXXIII, p. 783; October 19, 1901, Vol. LXXIII, p. 843.

(November, 1901), in which all three interests involved—Standard Oil, Morgan, and Hill—were represented. The Northern Securities Co. is an illuminating example of a corporation organized purely and simply to secure a unification of the investment interest concerned[90]—quite as typical, indeed, as the United States Steel Corporation, a product of the selfsame year.

It was in 1901, too, that Gould acquired control of the Denver & Rio Grande and the Rio Grande & Western.[91] The next year he purchased the West Virginia Central and the Western Maryland,[92] while shortly thereafter it was noised abroad that Standard Oil had acquired large holdings in a Gould road—the Missouri Pacific[93]—and that the two interests were working in harmony.[94]

As early as 1900 it had been rumored that Standard Oil men had entered the territory of the New York Central (the Vanderbilt stronghold). During 1904 their interests were markedly increased, while the relations between the Union Pacific and the New York Central came to be regarded as especially close. Furthermore, Standard Oil and Vanderbilt representatives were operating in joint control of the Delaware, Lachawanna & Western,[95] and it may be fairly said that all the available evidence would indicate that there was a very substantial identity of interests between the groups in question.

In February, 1905, the Union Pacific secured a representation in the Atchison, Topeka & Santa Fé[96] (practically annexed

[90] *Ibid.*, June 1, 1901, Vol. LXXII, p. 1081; July 20, 1901, Vol. LXXIII, p. 138.

[91] *Railway Age*, May 17, 1901, Vol. XXXI, p. 531.

[92] *Bradstreet's*, July 12, 1902, Vol. XXX, p. 436.

[93] *Ibid.*, September 13, 1902, p. 578. The appearance on the directorate of the Missouri Pacific of E. P. Prentice (John D. Rockefeller's son-in-law), F. T. Gates, and John D. Rockefeller, Jr., woud tend to verify reports as to stock purchases. Cf. *Poor's Manual of Railroads*.

[94] Cf. *Bradstreet's*, September 13, 1902, Vol. XXX, p. 578. A statement was likewise made with reference to another road as follows: "St. Paul, as is well known, is dominated by Standard Oil."

[95] Cf. *Commercial and Financial Chronicle*, February 24, 1894, Vol. LVIII, p. 345; cf. also Moody's *Manual of Corporation Securities*, 1904, for list of directors; and note 24 of this article.

[96] In the persons of H. H. Rogers and H. C. Frick. It has been recently divulged that the Oregon Short Line owns $10,000,000 of preferred stock of the Santa Fé, bought since July 1, 1906.

it in all probability), and thus added materially to the mileage of the so-called Harriman system of railroads. There is no doubt that Standard Oil was back of a notable and very recent victory won by Mr. Harriman, who led the fight against the president of the Illinois Central, whom he succeeded in deposing, thereby demonstrating the power which he and his backers could exert in controlling the policy of the road.[97] It is quite probable, therefore, that the Illinois Central will soon by common consent be added to the already long list of Harriman or Standard Oil roads; while it seems likely, in view of recent developments, that the Baltimore & Ohio is also within the system.[98]

The conclusion that must be reached in any case even after a superficial review of the facts, is that the financial interests in control of the great railroad systems of the country have become connected in one way or another in almost inextricable fashion. Furthermore, it looks as if the Harriman (Standard Oil) and the Morgan groups are coming to hold first place among these various interests, and indications are not lacking to support the belief that the Standard Oil group may one day come to occupy the position of chief control. At any rate, its aggressive policy has thus far been exceedingly successful, and the scope of its influence has grown with surprising rapidity. To mention the most notable of its achievements, it has within the space of a few years acquired control of the Huntington properties, allied itself to some extent with the Goulds,[99] secured a portion of the Vanderbilt holdings, encroached upon the Morgan-Hill territory, and made its way into other roads less closely identified with particular groups.

The unification of the banks and other financial institutions

[97] In a recent hearing before the Interstate Commerce Commission (New York, January, 1907) it was learned that the Oregon Short Line (part of the Harriman system) owned securities of the Illinois Central to the amount of $28,123,100, which had been acquired since July 1, 1906. The same road also holds $39,540,600 of the stock of the Baltimore & Ohio, also acquired since last July. It was rumored some months ago that Harriman was buying heavily of the stock of the B. & O.

[98] Cf. above.

[99] Since George J. Gould decided to build the Western Pacific his relations with Harriman are apparently not so close as formerly. Cf. recent hearing (January, 1907), Interstate Commerce Commission (New York City).

of the country which has progressed rapidly since 1897 presents another striking illustration of the general tendencies of the time; (or, more correctly perhaps), reflects the general trend of development. It is, as I have said elsewhere, but one aspect of the general movement toward an extension of investment interests, together with a concentration of group control which has been so characteristic of late years. Since extensive banking connections are the *sine qua non* of such financial operations as are undertaken by the large groups of investors, an alliance of the banks that furnish support to one group with those that are identified with another becomes in consequence exceedingly significant. In short, it implies, or at any rate, looks toward, a union of a more general sort than has thus far been dealt with—that is, a union of individual groups of financiers designed to cover in its scope miscellaneous investment interests.

It is impossible in the present article to do more than touch upon this phase of the subject,[100] but it may be well to state that, as the Standard Oil group extended its investment activities and came into closer contact with other groups, the National City Bank began to contract new alliances, to admit representatives of outside interests to its directorate, and to purchase control of other banks, until today it stands at the head of one of the most powerful financial organizations in the country. Nor has the growth of this aggregation ceased, for each year the National City banks are becoming more closely allied with that other important chain of institutions, the so-called Morgan banks. The practically endless chain of interrelations that has thus been brought about points strongly in the direction of a complete unification of control of these financial institutions to be concentrated in the hands of that group of financiers who shall eventually come to dominate the general investment field.

Even such a cursory review of the situation from 1870 to the present as has been offered, leads then to the conclusion that the modern movement toward combination is much more comprehensive than that of the preceding era. It oversteps the bounds of any single field of activity; and it is significant of this

[100] Cf. *Journal of Political Economy*, July, 1906, "The Growth of Financial Banking."

fact that the public no longer cares to know whether a particular tobacco factory or sugar refinery, for example, is to be brought into a combination with other tobacco factories or sugar refineries. The questions asked have come to be of wider scope, such as: "Are the Vanderbilts working in harmony with Morgan?" "Have the Goulds quarreled with Standard Oil?" Information upon these points will send gas, electric, steel, street-railway, and numerous other stocks up or down, as the case may be. There is no use attempting to diagnose probable future developments by setting up inquiries within the limits of any one industry as might have been done twenty or thirty years ago. It would be foolhardy to limit the field of investigation in such fashion, when there is always a probability that the policy to be pursued may be dictated by considerations quite apart from the circumstances of any particular industry.

This entire movement toward an extension of investment interests together with a concentration of group control, which has become especially marked during the past decade, is still in process of growth, and with its steady progress one is forced to the conclusion that, apart from governmental interference and considerations of general expediency, there is no inherent reason why an all-inclusive holding company might not be eventually formed, with the Standard Oil group of financiers, perhaps, in control. The fact that industries allied only in the slightest degree, if at all, would thus be brought together in one legal entity does not make the hypothesis the least untenable. It would be no more than an enlargement upon the holding company in its most highly developed modern form—such, for instance, as the North American Co., which, operating street-railway lines in several different cities, as it does, secures practically no more economies than if the constituent companies were entirely different in kind. Such an organization stands first of all for an alliance of investors, an elimination of heterogeneous minority interests, and a concentration of control. It epitomizes, as it were, the possibilities of the whole modern movement toward a general centralization of interests.

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